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**FISCAL IMPACT STATEMENT**

**LS 7066**

**BILL NUMBER:** SB 307

**NOTE PREPARED:** Mar 25, 2005

**BILL AMENDED:** Mar 24, 2005

**SUBJECT:** Marion County Local Government.

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:** Rep. Behning

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill contains the following provisions:

*Budget and Levy Review in Marion County:* This bill provides that the general law concerning approval of budgets and tax levies of appointed boards does not apply to certain entities in Marion County that are covered by another statute. It requires the City-county Council in Marion County to review the proposed operating and maintenance budgets and tax levies of the entities and to adopt final operating and maintenance budgets and tax levies for them. It authorizes the City-county Council to reduce or modify but not increase an entity's proposed operating and maintenance budget or tax levy. The bill prohibits the city-county council from reducing or modifying an entity's budget or tax levy in a manner that would impair the rights of bondholders. It also provides that proposed operating and maintenance budget and tax levy of a taxing unit that is located within an excluded city or town shall be submitted to the city or town fiscal body.

*Marion County Local Government:* The bill establishes the Marion County Consolidation Study Commission. It requires the Commission to study the consolidation of local government in Marion County, including the consolidation proposed in the "Indianapolis Works" plan. It also requires the Commission to issue a final report to the Legislative Council before December 1, 2005. The bill appropriates \$45,000 to the Legislative Council to hire consultants that are necessary to assist the commission in reviewing and verifying information and data concerning the consolidation of local government in Marion County.

It allows Marion County to increase the County Option Income Tax rate for resident county taxpayers by not more than 0.3% (rather than only 0.1%), up to a maximum rate of 1%.

It creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. It also provides that the Department of Administration and Equal Opportunity is responsible for payroll and other human resources and personnel functions for all city and county departments, offices, and agencies.

*Indianapolis Airport Authority:* The bill also provides that a member of the airport authority for Marion County who represents a county adjacent to Marion County and in which the authority owns real property and owned the property before July 1, 2005, are voting members.

**Effective Date:** Upon Passage; July 1, 2005; January 1, 2006.

**Explanation of State Expenditures:** *Budget and Levy Review in Marion County:* The proposal provides that the Indianapolis-Marion County City-County Council must review and may reduce or modify but not increase a proposed operating and maintenance budget or tax levy for an airport authority, a health and hospital corporation, a public library, a capital improvement board of managers, and a public transportation corporation. As a result, state expenditures for property tax replacement credits (PTRC) and the state homestead credit payments could decrease to the extent that a limit or decrease in a local levy decreases PTRC and the state homestead credit payments made from the Property Tax Replacement Fund (PTRF). The PTRF is annually supplemented by the state General Fund.

The bill also prohibits the City-County Council from reducing or modifying an entity's budget or tax levy in a manner that would impair the rights of bondholders. This provision suggests that the Council could modify an entity's levy if it would not impair the rights of bondholders. This provision, however, will not have an impact on state PTRC because the state only pays PTRC on levies to debts initially incurred before December 31, 1983.

(Revised) *Marion County Consolidation Study Commission:* The Marion County Consolidation Study Commission will be made up of the following 15 members:

- two members of the House of Representatives;
- two members of the Senate;
- one appointee of the mayor of Indianapolis;
- one Marion County township trustee;
- one elected Marion County township assessor;
- six Legislative Council appointees, one each from the Marion County Sheriff's Department, Indianapolis Police Department, and Indianapolis Fire Department; a full-time firefighter from a Marion County township; a member recommended each by the Marion County Alliance of Neighborhood Associations and Greater Indianapolis Chamber of Commerce; and two members of the Marion County City/County Council.

The bill requires the Commission to study local government consolidation as proposed in the "Indianapolis Works" plan. The Commission is to operate under the rules and procedures of the Legislative Council. During the 2004 interim, study committees with fewer than 16 members were allocated \$8,000 from funds appropriated to the Legislative Council from the state General Fund.

The Legislative Services Agency must provide support for the Commission. Expenses associated with the provision of staff can be covered within the level of existing resources. This bill will affect the Agency's budget in FY 2006 since the Commission is set to expire December 31, 2005.

The bill appropriates \$45,000 from the state General Fund in FY 2006 for the Commission to acquire professional assistance in performing its duties. A final report must be submitted to the Legislative Council concerning findings of the Commission by December 1, 2005.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Budget and Levy Review in Marion County:* Under this proposal, the City-County Council must review and adopt certain operating and maintenance budgets and tax levies, which would add additional levels of oversight in property tax rate matters in Marion County. This provision will result in additional administrative expenditures for the Council and the local units involved. The specific impact, however, is indeterminable.

(Revised) *Marion County COIT:* The Marion County Income Tax Council would be allowed to adopt an ordinance to raise the County Option Income Tax rate by 0.3% to the maximum allowable rate of 1.0% in one year. The Council would likely be able to adopt an ordinance within existing resources. The County would be able to adopt such an ordinance before or after the effective date of the bill.

(Revised) *Department of Administration and Equal Opportunity:* The bill creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. The provision may lead to cost savings by removing the duplication of services and increasing administrative efficiencies. The fiscal impact is dependent on local action.

(Revised) *Indianapolis Airport Authority:* This proposal could increase expenditures related to the Indianapolis Airport Authority Board. IC 8-22-3-8 provides that members of local airport authorities shall serve without compensation, unless the fiscal body of the entity (or if established by more than one entity, the fiscal bodies of the entities) chooses to provide a per diem for the members. The amount of the per diem may not exceed \$35 for each whole or part day a member is engaged in board activities. The members of the board shall also be paid their actual expenses.

**Explanation of Local Revenues:** *Budget and Levy Review in Marion County:* The City-County Council may reduce or modify but not increase a proposed operating and maintenance budget or tax levy for certain local levies within Marion County. This provision could limit or decrease the amount of revenue that would be generated by local units.

(Revised) *Marion County COIT:* Under the bill, Marion County would be allowed to pass an ordinance to raise the County Option Income Tax (COIT) rate by 0.3% in a year. Assuming the county adopted an ordinance in 2005, a 0.3% rate increase in Marion County would generate an estimated \$46.7 M in CY 2007. Under current law, a county that adopts COIT initially adopts at a 0.2% rate with an automatic yearly increase in the rate of 0.1% until the county reaches a rate of 0.6%. After reaching 0.6%, the county has the option to adopt another ordinance to further increase the rate by 0.1% per year until reaching the maximum allowable rate of 1.0%.

*Impact to Marion County COIT Revenue:* Under current law, Marion County could increase their COIT rate by 0.1% for three successive years. (Under an ordinance adopted under current law, in the first year the county would receive an estimated \$15.6 M at an additional 0.1% rate. In the second year, the county would receive approximately \$31.1 M at an additional 0.2% rate. In the third year, the county would receive approximately \$46.7 M at a 0.3% rate.)

The following table exhibits the difference in the estimated revenue that could be received by Marion County under the proposal (0.3% rate increase in one year) against what Marion County could receive under an ordinance adopted under current law (0.1% rate increase per year for three successive years).

Year	Additional Revenue Under Proposed One-Time Rate Increase of 0.3%	Additional Revenue Under Current Law by Successive 0.1% Annual Rate Increases	Additional Revenue Impact to Marion County COIT
Year 1	\$46.7 M	\$15.6 M	\$31.1 M
Year 2	\$46.7 M	\$31.1 M	\$15.6 M
Year 3	\$46.7 M	\$46.7 M	\$0

*Background:* Currently, Marion County has a 0.7% COIT rate and is receiving a certified distribution of \$104,750,918 in CY 2005.

**State Agencies Affected:** Department of Local Government Finance, Legislative Council, Department of State Revenue, State Budget Agency.

**Local Agencies Affected:** Indianapolis-Marion County City-County Council, Airport Authority, Health and Hospital Corporation, Public Library, Capital Improvement Board of Managers, and Public Transportation Corporation.

**Information Sources:** State Budget Agency: Local option income tax collections data.

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